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IN THE

Supreme Court of the United States

OCTOBER TERM 1969

No. 1822

LEO FEIST, INC., MILLS MUSIC, INC., SHAPIRO, BERNSTEIN & CO., INC., DESYLVA, BROWN & HENDERSON, INC., and PEER INTERNATIONAL CORPORATION,

Petitioners,

against

APOLLO RECORDS N. Y. CORP., MASTERTONE RECORDING STUDIOS, INC., GENE SAYET, SIDNEY FELDMAN, GEORGE ALBERT and CARL LEBOW,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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STATUTES

Copyright Act of March 4, 1909, c. 320, 35 Stat. 1075 et seq., U.S.C. Title 17, and the amendments thereto, as codified and enacted into positive law by the Act of July 30, 1947, c. 391, 61 Stat. 652, and the amendments thereto, and the Act of June 25, 1948, c. 646, 62 Stat. 931, U.S.C. Title 28, Sec. 1338.

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

TO THE HONORABLE, THE CHIEF JUSTICE AND ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Petitioners pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Second Circuit in the within action, dated and entered December 31, 1969, affirming the judgment of the United States District Court for the Southern District of New York, entered on April 11, 1969, upon the opinion, findings of fact, and conclusions of law thereof.

Opinions Below

The opinion of the United States District Court for the Southern District of New York (R. 87, Appendix 1, *infra*, p.) is reported in 300 F. Supp. 32. The judgment of the District Court was affirmed by the Court of Appeals upon the opinion below (R. 92, Appendix 11, *infra*, p. 26).

Jurisdiction

The judgment of the Court of Appeals sought to be reviewed (R. 93, Appendix 111, *infra*, p. 53) is dated and was entered on December 31, 1969. Jurisdiction is conferred on this Court by 28 U.S.C. § 1254(1).

Questions Presented for Review

1. Whether under § 1(b) and § 101(b) of the Copyright Act of 1909:

   The determination of the Court of Appeals, in accord with that of the District Court, that if the unauthorized manufacturer of phonograph records exercises the additional unauthorized right under § 1(b) of making arrangements of the copyrighted musical works, there is no additional liability for copyright infringement under § 101(b), whereby the only liability is under § 101(e) for the mechanical reproduction, has any legal justification.

2. Whether under § 101(b) and § 101(e) of the Copyright Act of 1909:

   The liability of defendant Apollo Records N. Y. Corp. having been conceded, it having been irrefutably established that all the other defendants participated and were concerned in its infringing activities, the District Court having unqualifiedly found that defend-

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ants Mastertone Studios, Inc., Gene Sayet and Sidney Feldman had participated and were concerned therein, the determination of the Court of Appeals, in accord with that of the District Court, that the only liability to plaintiffs was that of defendant Apollo Records N. Y. Corp., has any legal justification.

Statute Involved

The only statutory provisions involved are § 1(b), (e), § 7, and § 101(b), (e), of the Copyright Act of March 4, 1909, c. 320, 35 Stat. 1075, *et seq.* U.S.C. Title 17 (Appendix IV, *infra*, p. 54).

The District Court in its "Opinion, Findings of Fact and Conclusions of Law", stated "this action is based on alleged violations of 17 U.S.C. §§ 1(e), 101(b) and 101(e)." Accordingly, the Court omitted § 1(b), under which each of plaintiffs' respective claims for the violation of its "exclusive right" to "arrange or adapt it if it be a musical work" is based (Appendix 1, *infra*, p. 26).

Statement of the Case

The basis for federal jurisdiction in the District Court is the Act of June 25, 1948, c. 646, 62 Stat. 931, U.S.C. Title 28, § 1338(a), reading as follows:

> "(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in the patent and copyright cases."

This action was instituted at the instance of Harry Fox, as agent and trustee for over 3,000 music publishers in the United States, in the licensing and enforcement of the rights to their copyrighted musical works (R. 81, p. 113).

The action was brought on behalf of five music publishers. The amended complaint (R. 20) contains ten causes of action, each being for two separate infringements by defendants of the copyright in one of plaintiffs' musical works.

The respective infringements under each cause of action are by reason of defendants, without authorization, having put the copyrighted work to two different uses, each within the scope of one of the "exclusive rights" vested in plaintiffs under § 1 of the Act (Appendix IV, *infra*, p. 54).

Such exclusive rights of plaintiffs, each of which was separately infringed by defendants, are (1) the violation of said plaintiff's "exclusive right" to "arrange" the musical work under § 1(b) of the Act (Appendix III, *infra*, p. 54) and (2) the violation of said plaintiff's "exclusive right" of mechanical reproduction of the musical works under § 1(e) of the Act (Appendix III, *infra*, p. 54).

Accordingly, in the prayer for relief under each cause of action (R. 20, pp. 36, 37), (1) damages are sought under § 101(b) (Appendix IV, *infra*, p. 54) for making the unauthorized arrangement, and (2) the prescribed royalties and the additional award are sought under § 101(e) (Appendix IV, *infra*, p. 54) for manufacturing the unauthorized mechanical reproduction of the copyrighted work.

The Conceded Violation Of Plaintiffs' Exclusive Right Under § 1(b) Of The Act To Arrange The Respective Musical Works

In the first cause of action of the amended complaint, it is alleged (R. 20, pp. 4, 5).

> "15. After October 14, 1947, defendants APOLLO RECORDS N. Y. CORP., MASTERTONE RECORDING STUDIOS, INC., GENE SAYET and SIDNEY FELDMAN made and pro-

duced, or contributed to or participated or were concerned in, the making and production of, a new and original arrangement and adaptation of said musical composition designated as a 'Merengue'.

16. After October 14, 1947, defendants APOLLO RECORDS N. Y. CORP., MASTERTONE RECORDING STUDIOS, INC., GENE SAYET and SIDNEY FELDMAN, manufactured, or contributed to or participated or were concerned in the manufacture of, parts of instruments serving to reproduce mechanically said new and original arangement, as a part of an album bearing the legend on the jacket thereof 'THE SWINGING 20's GO LATIN', with the description 'all time favorites from the "Roaring 20's"—all decked out in bright and shiny new Latin dance arrangements . . . Cha Cha, Mambo, Pachanga and Merengue—in this album you'll find something completely new—authentic Latin treatments of familiar songs that still manage to keep the flavor and feeling of the originals'.

17. Such acts of defendant APOLLO RECORDS N. Y. CORP. were perpetrated under the direction of defendants GEORGE ALBERT and CARL LE BOW, as executives of said defendant, who in such capacity contributed to and participated therein."

Each of the three paragraphs is repeated verbatim in each of the other nine causes of action, except that the title of the "new and original arrangement", as "Merengue" in paragraph "15", is changed in some of the other paragraphs to "CHA CHA", "MAMBO" or "PACHANGA".

In the answer of defendants Apollo Records, N. Y. Corp. and George Albert to the amended complaint, they did not deny the aforesaid allegations of paragraphs "15" or "16" of the amended complaint, as repeated in the other causes of action. Likewise, they did deny the aforesaid

allegations of paragraph "17", as applied to defendant Carl Lebow and repeated in the other causes of action (R. 24). Defendant Carl Lebow did not deny any of the aforesaid allegations of paragraphs "15", "16" or "17", as repeated in the other causes of action (R. 26).

The amended complaint was filed herein on July 30, 1963 (R. CD, p. 2). Said defendants made no move to refute or qualify such admissions, until in the Pre-Trial Order of January 15, 1968, the following was inserted (R. 77, p. 13 c):

> "7. Upon the trial hereof, defendants, Apollo, et al., will move to amend their answer to affirmatively allege a denial to making any new or original arrangements of plaintiffs' material, except to the extent that any recording thereof may be considered a new arrangement."

Upon the pre-trial conference of September 25, 1968, the District Court granted said defendant's motion to amend (R. 81, p. 24).

By reason of the unqualified admission of said defendants in their answers, that they "made and produced or contributed to or were concerned in the making and production of a new and original arrangement" of each of plaintiffs' musical compositions, the burden was upon them to establish that "any recording thereof may be considered a new arrangement", as alleged in their amendment, as a justification for having made such unauthorized "new and original arrangement" of each of plaintiffs' musical compositions. However, upon the trial, said defendants utterly disregarded their alleged amendment and accordingly adduced no evidence whatsoever in support thereof.

In accord with said defendants' concession, that they did make a "new and original arrangement" of each of plaintiffs' compositions, but the subsequent attempted qualifica-

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tion to the extent that any recording thereof may be considered a "new arrangement", they provided in the Pre-Trial Order "defendants agree to call no more than two expert witnesses on the issue of the nature of the musical arrangements" (R. 77, pp. 17, 18, par. 6).

Accordingly, it was again not denied that the new musical arrangements were made and produced, but that such experts would be called by defendants to establish their contention, that any recording of a musical composition could in itself be deemed the authorized exercising of the exclusive right to "arrange" it. Therefore, plaintiffs provided in the Pre-Trial Order that they "agree to call no more than two expert witnesses on the nature of the musical arrangements", to refute any such testimony that might be adduced by defendants. Defendants having failed to call their alleged experts, in an illogical attempt to justify the unauthorized making and production of such new arrangements, there was obviously no testimony of defendants' experts to refute.

Upon a subsequent hearing before the District Court, of October 7, 1968, plaintiffs agreed to the following stipulation:

> "Plaintiffs stipulate that prior to the production of the phonograph record which is the subject of this action, they licensed the production of records with Latin dance arrangements such as Cha-Cha, Mambo, Pachanga and/or Merengue—this for the purpose of this action and without concession by plaintiffs of the relevancy thereof."

Such stipulation was agreed to by plaintiffs (1) to avoid the useless production, pursuant to a subpoena, of countless records of separate licenses issued by Harry Fox, Agent and Trustee, on behalf of his music publisher principals, to authorized record manufacturers, to make arrangements under § 1(b) of the Act, of the musical works

of his principals for the purpose of such mechanical reproduction, and (2) because there was no legal basis for said defendants' contention that, as plaintiffs had licensed legitimate record manufacturers to make certain special arrangements for authorized mechanical reproduction, this had authorized the infringing defendants to make like musical arrangements to enhance their infringing activities.

Apart from the unqualified admissions in the answers of said defendants, all of defendants acknowledged the making and use of such "new Latin dance arrangements—something completely new", as extolled on the jacket of the record album (R. 77, p. 4(5), Exhibit Vol. p. 218a).

Each Of The Defendants Other Than Apollo Records N. Y. Corp Participated And Was Concerned In The Infringement To Such An Extent As To Be A Primary Factor Therein

Defendants George Albert and Carl LeBow

In the Pre-Trial Order the defendants stipulated that "the following facts are not in dispute in this action" (R. 77, pp. 2, 5):

"(8) The acts of defendant Apollo Records N. Y. Corp., in making such uses of plaintiffs' respective copyrighted musical compositions were performed under the direction of defendant, Carl LeBow who (a) was its general manager at all times pertinent hereto, (b) was in charge of its office activities, (c) was responsible for its phonograph record repertoire, (d) originated the idea for the phonograph record album entitled 'The Swinging 20's Go Latin' and selected the musical compositions to be used in the manufacture of said phonograph records, (e) arranged for the initial recording of plaintiffs' musical compositions by the Steven Scott Orchestra on master recordings thereof, in preparation for such phonograph records therefrom, (f) arranged for the pressing of said phonograph

records from such master recordings, (g) arranged for the preparation and production of art work used as part of the album, and (h) arranged for the sales of such albums containing such phonograph records."

"(9) Defendant George Albert, at all times pertinent hereto, was the president and sole stockholder of defendant Apollo Records N. Y. Corp."

"(11) Defendants Apollo Records N. Y. Corp., George Albert and Carl LeBow in their answers to the amended complaint, admitted, inter alia, that such acts of defendant Apollo Records N. Y. Corp., were performed under the direction of defendant Carl LeBow, as an executive of said defendant, who in such capacity contributed to and participated therein."

The District Court further found in its "Findings Of Fact" (R. 87, p. 9), that defendant George Albert "(a) provided the initial capital for the formation of defendant Apollo; financed its operations; (b) executed checks to pay its bills; approved the manufacture and distribution of Plaintiffs' Exhibit 13 (the infringing record album); engaged its accountant and its general manager".

Defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman

In the Pre-Trial Order the defendants stipulated that "the following facts are not in dispute in this action" (R. 77, pp. 2, 20):

"(17) Defendant Mastertone Recording Studios, Inc., recorded, edited and prepared for defendant Apollo Records N. Y. Corp., the master tapes which were used by defendant Apollo Records N. Y. Corp., for the manufacture of said phonograph records, the subject of the amended complaint herein, at its recording studios."

"(18) Defendant Gene Sayet, at all times pertinent hereto, was the recording engineer for defendant Master-

tone Recording Studios, Inc. and, in such capacity acted on behalf of said corporate defendant in preparing its said master tapes, in addition to editing the same and performing the acts involved in the audio mixing of said master tapes."

"(19) Defendant Sidney Feldman, at all times pertinent hereto, was the treasurer of defendant Mastertone Recording Studios, Inc. and one of its recording engineers, who in such capacity made the master recordings from said edited master tapes, used in the manufacture of said phonograph records."

"(20) Defendant Mastertone Recording Studios, Inc. submitted three invoices to defendant Apollo Records N. Y. Corp., evidencing its services rendered in the making of said master tapes and master recordings used for the manufacture of said phonograph records, specifically referring therein to 'ALP-496 A/B' and 'Roaring 20's' being respectively the catalogue number of said phonograph records and a legend appearing on the album jacket thereof."

The District Court likewise found (1) that defendant Gene Sayet "was also the secretary of Mastertone and a stockholder", and (2) that defendant Sidney Feldman "was also the treasurer of Mastertone and stockholder" (R. 87, p. 11).

Likewise, on the jacket of the record album, prominently set forth in a separate square outline, under the prominent heading "About The Recording", is the following assertion of the extraordinary and material extent to which said defendants participated and were concerned in the manufacture of the infringing recording (Exhibit Vol. p. 218a):

"ABOUT THE RECORDING

This record is an example of the highest quality attainable in the art of disc recording. Every step in its production is under complete and accurate quality control. In the

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studio, a specially engineered 15 microphone, three-channel stereophonic mixing console is utilized in conjunction with the best microphones available: Telefunken, RCA, Altec, and Capps. Ampex multiple-channel, Model 300, tape recorders are used throughout. The tape is transferred to the master acetate using a Scully Automatic precision lathe with the Fairchild 641 feed-back cutting system (frequency response better than plus-minus 2 db from 30 to 22,000 cps) employing Mastertone's exclusive SONIC, SENTINEL method of continuous groove width and depth protection.

Recorded at: MASTERTONE RECORDING STUDIOS, INC., N. Y., N. Y.

Audio Mixing and Editing: Gene Sayet

Mastering: Sid Feldman

PLAYBACK RIAA EQUALIZATION."

The action was tried on November 12, 1968 (R. 88). Upon the trial defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman, made a motion to dismiss the amended complaint against them, for failure "to constitute a cause of action". Under date of November 15, 1968, the District Court rendered an opinion and made an order denying the motion and citing authorities in support of the denial thereof (R. 80, Appendix V, *infra*, p.).

However, in the subsequent Opinion, Finding Of Fact and Conclusion Of Law (Appendix V, *infra*, p. 58), the District Judge dismissed the amended complaint as to all three of said defendants, citing the same authorities in support of the dismissal thereof, as cited in support of the prior opinion and order denying the motion to dismiss. In the said contrary determination, no reference whatsoever was made to the prior determination, unqualifiedly sustaining the cause of action against said defendants.

The District Court likewise determined that the Amended Complaint against George Albert and Carl LeBow "must be dismissed on the merits" (R. 87, p. 31).

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REASONS FOR GRANTING THE WRIT

A.

The decision has decided a federal question in a way in conflict with applicable decisions of this Court.

§ 1 of the Copyright Act (Appendix IV *infra*, p. 54) provides "Exclusive Rights As To Copyrighted Works—Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right * * * (b) to arrange or adapt it if it be a musical work".

§ 7 of the Copyright Act (Appendix IV *infra*, p. 55) provides that "arrangements" of "copyrighted works when produced with the consent of the proprietor of the copyright in such works, or works republished with new matter, shall be regarded as new works subject to copyright under the provisions of this title".

In the Pre-Trial Order it was stipulated that "(2) At all times pertinent thereto, each of plaintiffs has been and continues to be, the proprietor of a valid United States copyright, or renewal copyright, in each of the musical compositions, the subject matter of its respective causes of action herein to the following extent": setting forth the proprietorship interest of each of plaintiffs in the musical compositions the subject matter of this action (R. 77, p. 2).

The District Court determined that, if the evidence adduced by plaintiffs demonstrated the existence "of a new arrangement contained upon Plaintiffs' Exhibit 13, their proper remedy would be under 17 U.S.C. § 101(e) and not under 17 U.S.C. § 101(b)." (R. 87, p. 22)

The heading of § 101(e) is confined to "Royalties For Use Of Mechanical Reproduction Of Musical Works", and accordingly applies solely to the "infringement of such copyright by the unauthorized manufacture, use or sale of

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interchangeable parts, such as discs, rolls, bands or cylinders for use in mechanical music-producing machines adapted to reproduce the copyrighted music." The remedy under § 101(e), accordingly applies only to the infringement of the "exclusive right" of "mechanical reproduction" under § 1(e). (Appendix IV, *infra*, p. 57).

However, if the separate unauthorized use of the copyrighted work, is within the scope of the "exclusive right" to "arrange or adapt it if it be a musical work" under § 1(b), then the remedy for such infringement would be under § 101(b).

In *Fortnightly Corp.* v. *United Artists Television, Inc.*, 392 U. S. 390, 393, this Court specifically held that the unauthorized use within the scope of each of the "exclusive rights", constituted a separate infringement, saying:

> "The Copyright Act does not give a copyright holder control over all uses of his copyrighted work. Instead, § 1 of the Act enumerates several rights that are made exclusive to the holder of the copyright. If a person without authorization from the copyright holder, puts a copyrighted work to a use within the scope of one of these exclusive rights, he infringes the Copyright."

As set forth (*infra*) in accord with all like infringement activities, no records were kept or produced of the number of infringing parts manufactured. It was conceded that upon the receipt of the first claim letter from plaintiff's attorney, all books and records of defendant Apollo Records N. Y. Corp., except one file of sales invoices, were destroyed, its assets disposed of, and its business operation discontinued. Yet the District Court permitted purported proof of the number of records manufactured, from such remaining "on file" of sales invoices, obviously retained for such purpose. (Exhibit Vol. p. 189a).

Under § 101(b) of the Act, it is provided that the infringer shall pay to "the copyright proprietor such dam-

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ages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement." It is further provided that, except for the specified provisions, none of which are applicable to the "exclusive right" to "arrange or adapt it if it be a musical work", such damages shall not "exceed the sum of $5,000.00 nor be less than the sum of $250.00, and shall not be regarded as a penalty". (Appendix IV, *infra*, p. 57).

As this Court said in *Jewell-LaSalle Realty Company* v. *Buck*, 283 U. S. 202, 206, with reference to § 101(b):

> "We are of opinion that the maximum and minimum provisions were intended to be applicable alike to all types of infringement except those for which the section makes other specific provision."

In The Absence Of A License Agreement Or Authorization To Even Make The Recording The Infringer Can Not Invade The Exclusive Statutory Right Of The Copyright Proprietor To Make An Arrangement Of The Copyrighted Work

The District Court said "It is clear, however, that plaintiffs have duly licensed the production of records with Latin dance arrangements such as Cha Cha, Mambo, Pachanga and/or Merengue under 17 U.S.C. § 101(e), without claim of an infringement of 17 U.S.C. § 101(b)" (R. 87, p. 21).

The very fact that the respective plaintiffs "duly licensed" the production of such records "with Latin dance arrangements", was the requisite authorization under 17 U.S.C. § 1(b) to make such arrangements. Accordingly, there could be no basis for any "claim of an infringement", for the exercising of such "duly licensed" rights.

In making its determination in the instant case, that defendants required no authorization from plaintiffs for

the arrangements, the District Court said that the basis of the holding of the District Court in *Edward B. Marks Music Corporation* v. *Foullon,* 79 F. Supp. 664, affd. 171 F. 2d 905, was "that the separate and distinct right to make an arrangement and version of a musical composition is limited to printing, reprinting, publishing, copying or vending, and does not cover the right to mechanical reproduction" (R. 87, p. 20). This, accordingly, was the decisive factor in the holding of the District Court herein.

The judgment of the District Court in favor of the plaintiff in said action was affirmed by the Court of Appeals, but upon an entirely opposite ground. While the District Court held that the copyright proprietor had no enforceable right to the arrangement, the Court of Appeals held that the use thereof had been duly licensed, saying (907, 908):

> "The plaintiff had filed the necessary notice on its part, it is true; and United Masters might have made records of the song as it stood at a royalty of two cents, merely by filing its corresponding notice, if in the language of § 25(e) (present § 101(e)) it had been 'relying' upon the compulsory provision, conceivably because it thought that it needed express consent for the 'arrangement' already made and for the manufacture of the records which it 'planned'. It had to choose between becoming a bare infringer and thereby exposing itself to the attendant remedies and seeking 'a license agreement'.
>
> "So viewed, the question becomes whether the 'License' released United Masters from the consequences of any existing infringement in composing the 'arrangement' of 'Malaguena' already made, and consented to its future use in manufacturing records. Even from within the four corners of the 'License' it is plain that it did both. When the licensor excepted from the licensee's rights any 'use' without its consent of the song in 'medley', the only reason-

able implication was that other 'arrangements' did not need its consent, for a medley is an 'arrangement'.

"For, when United Masters declared that it planned to 'press' records for the group of performers, it was at once evident that it must have an 'arrangement' of the song. When, therefore, both parties agreed to the 'use' of the song in records, they could have meant only that particular 'use'. Hence United Masters not only got a release for composing the 'arrangemeent', but it got a consent to complete that manufacture and to sell the records. * * * The only liability at any time, or of anyone was that of the United Masters, and that was contractual. Its failure to fulfill its obligations made it liable to triple damages because of the incorporation of § 1(e) in the 'License'; and would have authorized the plaintiff to repudiate the 'License'. Had the plaintiff done so, any later use of the 'arrangement' would have been an infringement; but that would not have made an infringement out of anything done while the 'License' was in force."

In view of the foregoing basis for the determination of the Court of Appeals being completely at variance with the basis for the determination of the District Court therein, the District Court herein made no reference whatsoever to the aforementioned determination of the Court of Appeals.

The Unqualified Irrefuted Admissions In The Answers Of Defendants Apollo Records N. Y. Corp., And Carl LeBow Of The Allegations In The Amended Complaint That Defendants Made, Produced And Utilized New And Original Arrangements Of Said Compositions Foreclosed The Issue

The District Court held that defendant Appollo "admits the manufacture of phonograph records" serving to reproduce mechanically "various interpretations" of

plaintiffs' compositions, "without any license or authorization therefor" (R. 87, p. 22).

The purported amendment of the answer of "defendants, Apollo, et al.", to "affirmatively allege a denial to making any new or original arrangements of plaintiffs' material, except to the extent that any recording thereof may be considered a new arrangement", cannot affect the prior unqualified admissions, of "the making and production of a new and original arrangement and adaptation" of each of plaintiffs' musical compositions. The said defendants being conceded infringers of the right of mechanical reproduction under § 1(e), they cannot assert that such unauthorized right of recording thereby gave them the right to make and utilize what "may be considered a new arrangement" of each of plaintiffs' compositions.

B.

The decision has decided an important question of federal law which has not been but should be settled by this Court.

Shortly after the trial, the District Court rendered a thoroughly considered opinion and made an order, denying the motion made by defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman upon the trial, for dismissal of the amended complaint against them, by reason of the alleged failure of plaintiffs to establish a cause of action (R. 80, Appendix V, *infra*, p. 58).

Following is the basis of the determination of the District Court:

> "The disposition of this motion therefore depends upon the plaintiffs' having adduced sufficient proof to constitute a cause of action that these individual defendants were participants in the 'manufacture' of the offending recording within the meaning of the

Copyright Act, §§ 1(e) and 101, and Title 28 USCA § 1338.

• • • • • •

"The admitted fact that defendants recorded, mixed, edited and master-taped the musical performance for Apollo Records, coupled with evidence that Mastertone Recording Studios, Inc., by its own invoices, made the recording with express knowledge of the use of the recording by Apollo Records for the 'Roaring 20's' album, designated ALP-496 A/B (Ex. 11), is sufficient to require that the defendant's motion for dismissal be denied."

In support thereof, the District Court cited, with clearly applicable quotations, *G. Ricordi & Co., Inc.* v. *Columbia Gramaphone Co.*, 270 Fed. 822 (S.D.N.Y.) and *Reeve Music Co., Inc.* v. *Crest Records, Inc.*, 285 F. 2 547 (2nd Cir.).

However, in the subsequent opinion, findings of fact and admissions of Law (Appendix I, *infra*, p. 46) the District Court held that the amended complaint "must be dismissed on the merits" as to defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman. In alleged support of such dismissal the District Court cited *G. Ricordi & Co., Inc.* v. *Columbia Graphaphone and Reeve Music Co., Inc.* v. *Crest Records, Inc.* (*supra*). These were the same two cases previously cited by the District Court in support of its prior opinion and order denying the motion of said defendants to dismiss. Furthermore, the District Court makes no reference whatsoever to its prior adverse determination. While the District Court set forth the pertinent quotations from both opinions, in support of the prior denial of the motion to dismiss, upon the subsequent adverse determination all quotations are eliminated and the unsupported comments of the District Court in each case, are at complete variance with the determination of the Appellate Court.

Thus, the determining factor in *G. Ricordi & Co.* v. *Columbia Graphaphone Co.*, 270 Fed. 822, 826, was, "The gist of this case is to determine what is meant by 'manufacture'. The various steps taken to produce the product which was shipped to Canada, were all essential to the manufacture of the records, which were finally finished and sold in Canada."

In *Reeve Music Co.* v. *Crest Records, Inc.*, 285 F. 2d 546, 548 (2d Cir.), it was likewise held "under § 101(e), on the other hand, 'manufacture' is an act of infringement, and 'courts have long recognized that infringement of a copyright is a tort, and all persons concerned therein are jointly and severally liable as such joint tortfeasors.' Ted Browne Music Co. v. Fowler, 2 Cir., 290 F. 751, 754."

The District Court, in support of its subsequent dismissal as to all of the defendants except Apollo Records N. Y. Corp., again relied upon the determination of the District Court in *Edward B. Marks Music Corporation* v. *Foullon*, 79 F. Supp. 664, aff'd 171 2d 905 (2 Cir.), in saying "the District Court dismissed the complaint of a musical copyright owner against the record processing company on the grounds that such a sub-contractor was not a 'manufacturer' within the meaning of 17 U.S.C. § 1(e)".

On the contrary, the District Court herein again disregarded the real basis of the determination of the Court of Appeals in said action that, "Like any other officer, director or shareholder of a company, Foullon is not liable upon the 'License', a contract of United Masters" (p. 908). Accordingly, the liability being under a license agreement, rather than unauthorized, there could be no liability of the individual defendant.

The Determination In The Instant Case Is At Complete Variance With The Prevailing Holding That Copyright Infringement Being A Tort All Concerned Therein Are Jointly And Severally Liable

Gross v. *Van Dyk Gravure Co.*, 230 Fed. 412, 414:

> "This action is to recover damages for infringement against the appellant and the other defendant as joint and several tortfeasors.
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> Why all who unite in an infringement are not, under the statute, liable for the damages sustained by plaintiff, we are unable to see."

Ted Brown Music Co. v. *Fowler*, 290 Fed. 751, 754, citing and following the aforesaid determination in *Gross* v. *Van Dyk Gravure Co.*:

> "Courts have long recognized that infringement of a copyright is a tort, and all persons concerned therein are jointly and severally liable as such joint tortfeasors. Gross v. Van Dyk Gravure Co., 230 Fed. 212, 144 C.C.A. 554."

Reeve Music Co., Inc. ano. v. *Crest Records, Inc.*, 285 F. 2d 546, 548, *supra*, citing and following the aforesaid prior determination in *Ted Browne Music Co.* v. *Fowler.*

This has been the prevailing holding with respect to individual defendants who participated in copyright infringement involving mechanical reproductions.

Shapiro, Bernstein & Co., Inc. v. *Gabor*, 266 F. Supp. 613, 614:

> "If he did participate in acts constituting an infringement, he is personally liable. H. M. Kolbe Co. v. Shaff, 240 F. Supp. 588, 589 (S.D.N.Y.), aff'd per curiam, 352 F. 2d 285 (2 Cir. 1965)."

Chappell & Co., Inc. v. *J. Fay Frankel,* 285 F. Supp. 798, 801:

> "Since Frankel was personally involved in, indeed supervised, the production of the records which reproduced plaintiffs' compositions without licenses, he is a joint tortfeasor with Artia and Ramco. H. M. Kolbe Co. v. Shaff, 240 F. Supp. 588 (S.D.N.Y.), aff'd 352 F. 2d 285 (2 Cir. 1965)."

Pickwick Music Corporation v. *Record Productions, Inc.,* 292 F. Supp. 39, 40, citing and following *Chappell & Co., Inc.* v. *J. Fay Frankel, supra:*

> "In the first group, liability is based on each individual's personal participation in the acts constituting infringement. Participation in the tort of copyright infringement makes each participant jointly and severally liable. H. M. Kolbe Co. v. Shaff, 240 F. Supp. 588 (S.D.N.Y.), aff'd 352 F. 2d 285 (2 Cir. 1965); Chappell & Co. v. Frankel, 285 F. Supp. 798 (S.D.N.Y. 1968)."

The defendant George Albert, being the president and sole stockholder of defendant Apollo Records N. Y. Corp., and accordingly in complete charge thereof, the following determination in *General Electric Co.* v. *Wabash Appliance Corporation,* 93 F. 2d 671, 674 (2 Cir.), cer. den. 303 U. S. 641, is precisely in point:

> "The individual appellees are officers and directors and the only stockholders of the corporation. Under these circumstances, the individuals are liable and the acts of the corporation are in effect theirs. Claude Neon Lights v. American Neon Light Corp., 2 Cir., 39 F. 2d 548."

The Defendants Followed The Uniform Practice In Record "Piracy" With The Additional Highly Persuasive Selling Factor Of New Arrangements Of The Renowned Musical Compositions

Prior to the institution of suit on December 4, 1961, a communication was sent to defendant Apollo Records N. Y. Corp. on behalf of plaintiffs, advising that unless such "illegal acts were forthwith discontinued, all infringing material delivered up for destruction, a detailed itemized statement rendered of all records manufactured to date, and payment made to plaintiffs therefore," suit would be brought against it and "all others who acted in concert with you." There was no response whatsoever thereto (Exhibit Vol. p. 191a).

Subsequent communications to the same effect were sent to said defendant on December 22, 1961 and January 10, 1962, to which there was likewise no response whatsoever (Exhibit Vol. p. 192a).

Suit was not instituted until May 28, 1962. Yet it was not until "On or about September 23, 1964" defendant Apollo Records N. Y. Corp. served upon plaintiffs, and sent to the Copyright Office a duplicate of a purported "Notice of Intention to use" each of plaintiffs' musical compositions "upon parts of instruments serving to reproduce mechanically said musical work, relying upon the compulsory license provisions of the Copyright Law of the United States." Such notice of intention was "dated as of June 11, 1962" (R. 77, p. 6).

§ 101(e) of the Copyright Law (Appendix IV, *infra*, p.) provides "That whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he should serve notice of such intention by registered mail, upon the

copyright proprietor sending to the Copyright Office a duplicate of such notice".

Yet in the instant case, while such use had been initially made some time prior to the first communication of December 4, 1961, this "notice of intention" to make such use, was not served until "on or about September 23, 1964." Likewise, it was not until September 28, 1964, that the attorney for defendant Apollo Records N. Y. Corp. delivered to plaintiff's attorneys a check for $617.20, as purported payment for all the infringing uses of plaintiffs' compositions, together with "Analysis of Sales of Apollo Albums #496", and copies of purported invoices. There was no report whatsoever of the number of parts of instruments manufactured, under the requirement of § 1(e) of the Copyright Law "for payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured" (Appendix IV, *infra*, p. 55). All such documents were promptly returned as unacceptable (R. 77, pp. 6, 7).

In *Shapiro, Bernstein & Co., Inc.* v. *Remington Records, Inc.* (2 Cir.) 265 F. 2d 263 (1959), 267-273, in which counsel for plaintiffs therein is counsel for plaintiffs herein, the opinion of the court has been a material factor in curtailing record piracy. As the court said:

> "The relations which give rise to this litigation flow in art from the applicable statutory scheme and in part from the practices of some elements within the phonograph record industry.
>
> • • •
>
> "Taken altogether the evidence discloses that by one means or another defendants prevented proof by direct evidence of the true facts essential to an accurate determination of the amount of royalties due under the Act.
>
> • • •

"Perhaps the best starting point is the Copyright Act itself. No case has yet spelled out the obligations and burdens of manufacturers who avail themselves of the record reproducing privilege under § 1(e) of the Act. We undertake to do that now for the assistance of the District Court to which the case will be remanded for further proceedings. Perhaps it will also serve as a guide, if not a deterrent to such members of the industry who engage in what has been described as 'piracy,' but which might better be described by other terms connoting larceny; historically, at least, piracy was characterized by frontal attack with unmistakable notice to the victim who could then take such means as were available to defend himself.

• • •

"This duty is implicit, if indeed not expressed, in the statutory provision for a two cent royalty and in the obligation to supply sworn reports and accounts to the copyright owner upon demand. Plainly this makes it mandatory for the copier of such works to keep records from which the statutory statements under oath can be prepared.

Our view of the manufacturer's obligation to keep production records requires us to consider also what consequences, if any, flow from deliberate failure to keep such records.

• • •

"We will not permit commercial piracy to produce illegal gains immune from recovery. While the law cannot prevent all sin and wrongdoing it can take some of the profit out of it."

In the subsequent record "piracy" actions, the courts have been uniformly influenced by the foregoing opinion. However, in view of the adverse opinion in the instant action, on every material factor, for which there is no

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precedent, with the additional unprecedented "new arrangement" as a most material factor of the infringement, record "piracy" will be rampant in the absence of judicial consideration.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for a writ of certiorari should be granted.

Dated: New York, March 23, 1970.

Respectfully submitted,

ABELES AND CLARK,
Attorneys for Petitioners.

JULIAN T. ABELES,
Of Counsel.

APPENDIX I

Opinion, Findings of Fact and Conclusions of Law of the District Court.

Plaintiffs, Leo Feist, Inc., Mills Music, Inc., Shapiro, Bernstein & Co., Inc., DeSylva, Brown & Henderson, Inc. and Peer International Corporation, allege infringement of ten musical copyrights by two corporate defendants, Apollo Records N. Y. Corp. and Mastertone Recording Studios, Inc., and by the participating employees or officers of each of these corporate defendants, George Albert and Carl Le Bow of Apollo Records N. Y. Corp., Gene Sayet and Sidney Feldman of Mastertone Recording Studios, Inc.

This action is based on alleged violations of 17 U.S.C. §§ 1(e), 101(b) and 101(e). Both liability and damages on all copyright infringement claims were submitted for trial to this court without a jury.

The Claims

The claims of the parties may be set forth generally as follows:

Plaintiffs Leo Feist, Inc., Mills Music, Inc., Shapiro, Bernstein & Co., Inc., DeSylva, Brown & Henderson, Inc. and Peer International Corporation Claim:

1. That plaintiffs are the proprietors of valid and subsisting copyrights in the musical compositions which are the subject of this litigation (see Finding of Fact 3) during all times pertinent to the trial of this case.

2. That defendants Apollo Records N. Y. Corp. (hereinafter called "Apollo"), George Albert, Carl Le Bow, Mastertone Recording Studios, Inc. (hereinafter called "Mastertone"), Gene Sayet and Sidney Feldman made

and produced, or contributed to or participated or were concerned in, the making and production of a new and original unauthorized arrangement of each of the plaintiffs' musical works.

3. That defendant Apollo manufactured phonograph records, serving to reproduce mechanically each of said new and original arrangements, without any license or authorization therefor, and thereby separately infringed plaintiffs' respective copyrights in said musical compositions.

4. That all defendants are bound by unqualified admissions that they made and recorded a completely new arrangement of each of plaintiffs' compositions, as extolled by the advertising on the record jacket, and as evidenced by judicial admissions in former pleadings.

5. That the acts of Apollo were perpetuated under the direction of defendants George Albert and Carl Le Bow as executives of said corporate defendant.

6. That the acts of Mastertone were perpetuated under the direction of defendants Gene Sayet and Sidney Feldman, executives and stockholders of said corporate defendant.

7. That each of the defendants is jointly and severally liable for the unauthorized manufacture of phonograph records under Section 101(e) of the Copyright Act, Title 17 U.S.C. (1947) as amended.

8. That separate and apart therefrom, each of the defendants is jointly and severally liable under Section 101(b) of the Copyright Act, Title 17 U.S.C. (1947) as amended, for the making of a completely new and unauthorized arrangement of each of plaintiffs' musical compositions.

DEFENDANTS APOLLO, GEORGE ALBERT AND CARL LE BOW CLAIM

1. That the defendant Apollo is responsible for the payment of royalties pursuant to Section 101(e) of the Copyright Act, Title 17 U.S.C. (1947) as amended, and has at all times been ready, able and willing to pay the royalties provided pursuant to Section 101(e) plus reasonable damages.

2. That the defendant Apollo is not responsible for a copyright infringement perpetrated by the making of a completely new and unauthorized musical arrangement, in violation of 17 U.S.C. § 101(b), and asserts that the measure of damages proper to this case must be fixed pursuant to 17 U.S.C. § 101(e).

3. That the penalties to be charged against defendant Apollo should be nominal because the unlicensed use was neither wilful nor malicious, because the delay in filing for a compulsory license under 17 U.S.C. §§ 1(e) and 101(e) was in keeping with common industry practice, and because the plaintiffs have proceeded in bad faith.

4. That the defendant, George Albert, did not participate in the production of the record album involved in this litigation and bears no personal legal responsibility therefor.

5. That the defendant Carl Le Bow participated only as an employee of Apollo, without financial or other interests, and, therefore, bears no personal legal responsibility.

DEFENDANTS MASTERTONE, GENE SAYET AND SIDNEY FELDMAN CLAIM:

1. That the recordings of the music here in question are not infringing new and original arrangements and adaptations of the musical compositions, the subject matter of the causes of action herein.

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2. That the defendants Mastertone, Gene Sayet and Sidney Feldman did not "manufacture" the phonograph records as that term is used in the Copyright Act.

3. That the acts of the defendants Mastertone, Gene Sayet and Sidney Feldman did not require any authorization, permission, consent or license from the plaintiffs.

4. That the acts of the defendants Mastertone, Gene Sayet and Sidney Feldman were done at the request of and for the account of defendant Apollo, which is liable to said defendants for any loss sustained herein.

After hearing the testimony of the parties and examining the pleadings, the exhibits and the proposed findings of fact and conclusions of law submitted by counsel, this court makes the following Finding of Fact and Conclusions of Law, each of which, insofar as relevant, applies to all parties and claims in this action.

FINDINGS OF FACT

1. This action arises under the United States Copyright Law, Title 17 U.S.C. (1947) as amended, and Title 28 U.S.C. § 1338. (Pretrial Order, p. 2, ¶ 3[a][1].)[1]

2. Plaintiffs, defendant Apollo and defendant Mastertone are corporations incorporated under the laws of the State of New York. (Amended Complaint, ¶¶ 3, 22, 41, 58, 77, 95, 113, 132, 150, 167; no denial.)

3. At all times pertinent hereto, plaintiffs have been and continue to be the proprietor of a valid United States statutory copyright, or renewal copyright, in the

[1] For convenience, the Pretrial Order is hereinafter referred to as "PTO." Items 3(a)(1) through 3(a)(20) of the PTO were stipulated into evidence at the trial, November 10, 1968, Stenographer's Minutes (hereinafter abbreviated "SM"), pages 153 and 154.

musical compositions, the subject of their respective causes of action herein, to the following extent:

Plaintiff	Title	Extent of Proprietorship
Leo Feist, Inc.	1. "Five Foot Two, Eyes Of Blue (Has Anybody Seen My Girl?)"	66-⅔%
" " "	2. "Honey"	66-⅔%
" " "	3. "Toot Toot, Tootsie! (Goo'-Bye)"	100%
Mills Music, Inc.	4. "Margie"	100%
" " "	5. "I Can't Give You Anything But Love"	100%
" " "	6. "Diga Diga Doo"	100%
" " "	7. "When You're Smiling (The Whole World Smiles With You)"	Not less than 80%
Shapiro, Bernstein & Co., Inc.	8. "If You Knew Susie (Like I Know Susie)"	75%
DeSylva, Brown & Henderson, Inc.	9. "Goody, Goody"	100%
Peer International Corporation	10. "Lazy River"	100%

The plaintiffs have duly filed notice of the use of their respective copyrighted musical compositions for the manufacture of parts of instruments serving to reproduce the same mechanically, prior to such use thereof by defendants. (PTO, pp. 2-4 ¶¶ 3[a][2], 3[a][3], 3[a][4]; Pl. Ex. 4, pp. 11, 12 [admitted by defendants]; Pl. Ex. 5)

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4. Defendant Apollo manufactured long playing phonograph records as part of an album bearing the legend on the jacket thereof, "The Swinging 20's Go Latin," and the designation, "Apollo Records N. Y. Corp., 1780 Broadway, New York, N. Y." with the description, "all time favorites from the 'Roaring 20's'—all decked out in bright and shiny new Latin dance arrangements—Cha Cha, Mambo, Pachanga and Merengue—in this album you'll find something completely new—authentic Latin treatments of familiar songs that still manage to keep the flavor and feeling of the originals." (PTO, p. 4, ¶ 3[a][5]; Pl. Ex. 13)

5. Each of the musical compositions, the subject of each of plaintiffs' respective causes of action herein, was used in the manufacture of said phonograph records, in the absence of a license agreement therefor and without service of a notice of intention to use said musical composition prior to the use thereof, under the compulsory license provisions of the Copyright Act. (PTO, p. 4, ¶¶ 3[a][6], 3[a][7])

6. Defendant George Albert was the president and sole stockholder of defendant Apollo and it was established that he (a) had nothing to do with the management of the business (SM 46); (b) had no specific duties (Pl. Ex. 8, p. 3); (c) did not participate in matters regarding acquisition of new material, repetoire, or sales (Pl. Ex. 8, p. 5); (d) provided the initial capital for the formation of defendant Apollo; (e) financed its operations; (f) executed checks to pay its bills; (g) approved the manufacture and distribution of Plaintiffs' Exhibit 13 (Pl. Ex. 9, pp. 11-12); (h) engaged its accountant and its general manager. (PTO, p. 5, ¶ 3[a][9]; Pl. Ex. 9, pp. 5-12)

7. The acts of defendant Apollo in making such uses of plaintiffs' respective copyrighted musical compositions

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were performed under the direction of defendant Carl Le Bow who (a) was its general manager at all times pertinent hereto; (b) was in charge of its office activities; (c) was responsible for its phonograph record repertoire; (d) originated the idea for the phonograph record album entitled, "The Swinging 20's Go Latin," and selected the musical compositions to be used in the manufacture of said phonograph records; (e) arranged for the initial recording of plaintiffs' musical compositions by the Steven Scott Orchestra on master recordings thereof, in preparation for the pressing of such phonograph records therefrom; (f) arranged for the pressing of said phonograph records from such master recordings; (g) arranged for the preparation and production of art work used as part of the albums; and (h) arranged for the sales of said albums containing such phonograph records. (PTO, p. 5, ¶ 3[a] [8])

8. Neither defendant George Albert nor Carl Le Bow is liable for the acts of the corporation Apollo, which is itself exclusively liable for infringement of 17 U.S.C. § 101(e).

9. The recording of Plaintiffs' Exhibit 13 was done by Mastertone. Mastertone recorded, edited and prepared for Apollo the master tapes which were used by Apollo for the manufacture of the offending recordings. Mastertone submitted three invoices to Apollo evidencing its services, specifically referring therein to "ALP-496 A/B" and "Roaring 20's," which were respectively the catalogue number of the offending phonograph record and the title of the record.

10. Defendant Gene Sayet was the recording engineer employed by Mastertone, who served as audio mixer and editor of the recording at issue in this case. He was also the secretary of Mastertone and a stockholder. (Pl. Ex. 10, p. 3) On April 27, 1961, April 28, 1961 and May 3, 1961, Sayet made the master recording of the musical composi-

tions included on Plaintiffs' Exhibit 13. (Pl. Ex. 10, p. 4; PTO, p. 9, ¶ 3[a] [18])

11. Defendant Sidney Feldman was the recording engineer employed by Mastertone, who served as engineer on the recording at issue in this case. He was also the treasurer of Mastertone and a stockholder. (Pl. Ex. 12, p. 3) Feldman mastered the recordings by cutting the master record on a special machine. He did not know what musical material was on the tape which he mastered; he had only the name of the recordings and the timings for each band. (Pl. Ex. 12, p. 4; PTO, p. 9, ¶ 3[a] [19])

12. Defendants Mastertone, Gene Sayet and Sidney Feldman are not liable for the manufacture of Plaintiffs' Exhibit 13, the sole responsibility for which rests with Apollo.

13. Prior to the production of the phonograph records which are subject of this action, plaintiffs licensed the production of records with Latin dance arrangements such as Cha-Cha, Mambo, Pachanga and/or Merengue. (Stipulation of all parties, October 7, 1968)

14. Plaintiffs' Exhibit 13, the record which is the subject of this litigation, was produced in 1961. (SM 49) The records were pressed by Silver Park Records, Inc. (hereinafter called "Silver Park"), which was the only record presser for this particular recording. (SM 48, 50) Apollo maintained shipping invoices or bills from Silver Park showing each and every record manufactured. (SM 50) The records thus manufactured by Silver Park were then sold to 19 or 20 record distributors. (SM 46-47) Apollo maintained sales invocies showing each and every record sold by it to a distributor. (SM 59) Accordingly, Apollo maintained in its files all purchase and all shipping invoices dealing with Plaintiffs' Exhibit 13.

Subsequent to the institution of this law suit, Leon Schuster, a certified public accountant since 1937, employed by Apollo as accountant, compared the purchase invoices (Deft. Ex. B) with duplicate records supplied by Silver Park. They matched exactly. He then compared the purchase invoices with sales invoices (Def. Ex. C) and prepared a general summary of the manufacture and sales of Plaintiffs' Exhibit 13. (SM 55-62) Defendants' Exhibit D, the summary drawn by Schuster, indicates that a total of 3,086 records were purchased from Silver Park, of which 494 were distributed free and 1,684 were sold to distributors.

There were no other books or records kept in the regular course of business by Apollo which would shed any additional light on the questions of manufacture, production or sale of Plaintiffs' Exhibit 13. The general books of account kept by the corporation but inadvertently misplaced or destroyed contained only monthly summaries of purchases and sales of each phonograph record, tallied from the very purchase and sales nvoices received in evidence as Defendants' Exhibits B and C. (SM 62)

15. Plaintiffs are entitled to royalties from defendant Apollo, pursuant to 17 U.S.C. § 1(e), at the rate of $0.02 per infringement for each of the 3,086 records manufactured, based upon the extent of their proprietary interests as established by Finding of Fact 3:

$ 41.15 on the First Cause of Action
$ 41.15 on the Second Cause of Action
$ 61.72 on the Third Cause of Action
$ 61.72 on the Fourth Cause of Action
$ 61.72 on the Fifth Cause of Action
$ 61.72 on the Sixth Cause of Action
$ 49.38 on the Seventh Cause of Action
$ 46.29 on the Eighth Cause of Action
$ 61.72 on the Ninth Cause of Action
$ 61.72 on the Tenth Cause of Action

$548.29 Total

16. The manufacture of Plaintiffs' Exhibit 13 occurred between May and September, 1961; the sale of the offending recordings occurred between May 1961 and May 1962. (Deft. Ex. D) On or about September 23, 1964, defendant Apollo served upon plaintiffs, respectively, and sent to the Copyright Office, a purported "Notice of Intention to use a copyrighted musical composition," dated June 11, 1962. (PTO, p. 6, ¶3[a] [12]) On September 28, 1964, defendants delivered to plaintiffs a check representing purported payment for such uses of copyrighted material as had previously been made, together with a Certified C.P.A. Report and Analysis of Sales of Apollo Album No. 496, a photostatic copy of each invoice submitted by the record presser for such album, and a photostatic copy of each invoice issued by Apollo, including either the sale or distribution of said album. (PTO, p. 6, ¶3[a][12])

17. By written communication dated June 8, 1962 and September 17, 1962, Apollo offered to pay the royalties due under 17 U.S.C. §101(e). (PTO pp. 7-8, ¶¶3[a][13] and 3[a] [14]) Again, on March 12, 1964, by written communication, Apollo renewed its offer to settle all royalties due under §101(e). (PTO, pp. 8-9, ¶3[a][5]) All offers were rejected by the plaintiffs.

18. The defendant Apollo has at all times stood ready, willing and able, and continues to be ready, willing and able, to pay any and all royalties, plus penalties and costs, which may be assessed in connection with the production of said record under §101(e) of the Copyright Law and has tendered and continues to tender such payment. (PTO, pp. 6-9, ¶¶3[a][12]-3[a][15]; see also SM 123-124, 125, 127, and Pl. Ex. 6)

19. The first official request by plaintiffs for an accounting pursuant to 17 U.S.C. §101(e) occurred by written communication dated December 4, 1961. (Pl. Ex.

7) The first offer to account for royalties due from defendants to plaintiffs occurred on June 8, 1962. (Finding of Fact 17) Accordingly, Apollo was approximately four and one-half months delinquent.

20. Plaintiffs are entitled to damages in the amount of an additional $548.29 for violation of the notice provisions of 17 U.S.C. §101(e) thus requiring a royalty of $1,096.58 total. No further damages are justified due to the continuous and conscientious attempts by defendants to settle the royalties due, and the corresponding bad faith of the plaintiffs in refusing to accept royalties tendered while insisting upon expanded damages under 17 U.S.C. §101(b).

21. Plaintiffs are entitled to no award for the alleged infringement of copyright predicated upon 17 U.S.C. §101(b), since their sole remedy on these facts lies under 17 U.S.C. §101(e).

Discussion

I.

The alleged violation of 17 U.S.C. §101(b) by the making of a completely new and unauthorized arrangement of plaintiffs' copyrighted musical compositions

The plaintiffs allege that the defendants are jointly and severally liable for the unauthorized creation of a new arrangement of plaintiffs' copyrighted musical compositions. To sustain this allegation, the plaintiffs have offered the following proof:

(a) An alleged "admission" of liability for the creation of a new and unauthorized arrangement by virtue of the statement, "[a]s we have said so many times before, there seems to be no question that our client did not

obtain the required license and is liable to your clients under the copyright law," contained in the letter from defendants' attorneys to plaintiffs' attorneys, dated March 12, 1964. (PTO, p. 8, ¶15)

This informal acknowledgment of liability "under the copyright law" by the defendants was intended to imply an admission to liability under 17 U.S.C. §101(e) and not under 17 U.S.C. §101(b). The admission must be taken in the context of the entire letter, which refers to previous and continuing attempts by defendants to tender proper royalty payments and penalties to plaintiffs pursuant to 17 U.S.C. §101(e). See PTO, pp. 6-9, ¶¶3[a][12]-3[a][15]; SM 120-127)

(b) An alleged "admission" binding upon all defendants to this action contained in the record jacket of Plaintiffs' Exhibit 13, which boldly announces, "[t]hat everyone, young and old alike, will know the words goes without saying because here we have seventeen (17) all time favorites from the 'Roaring 20's'—all decked out in bright and shiny new Latin dance arrangements—Cha Cha, Mambo, Pachanga and Merengue. * * * [I]n this album you'll find something completely new-authentic latin treatments of familiar songs that still manage to keep the flavor and feeling of the originals."

This acknowledgment by defendants of "New Latin dance arrangements" and "authentic Latin treatments" displayed as promotional advertising upon the jacket of Plaintiffs' Exhibit 13 is not even "some evidence" of the making of a new and unauthorized arrangement of plaintiffs' musical compositions. The phrase "Latin dance arrangements" may indicate merely that the tempo or rhythm of the piece has been altered for dancing purposes; and the phrase "authentic Latin treatments" may refer exclusively to interpretation or emphasis supplied by the current artists to the orignal arrangement. No

proof was adduced on trial describing or anlyzing the various recordings or so-called "arrangements." No expert testimony was presented by the plaintiffs concerning the nature of the musical arrangements, even though in the Pretrial Order plaintiffs specifically reserved the right to call two expert witnesses on this issue. (PTO, p. 18 ¶6) Accordingly, in the absence of proof which might import a special context to the language on the record jacket, this court is constrained to construe these particular phrases as ambivalent promotional opinions and not as evidence sufficiently compelling to sustain the plaintiffs' burden of proof.

(c) An alleged judicial admission by defendant Apollo (binding upon all other defendants as joint tort feasors) in the Answer to the Original Complaint (Pl. Exs. 1 and 2), through failure to deny ¶¶ 15, 33, 49, 66, 82, 98, 115, 131, 147, 164 of the Original Complaint, which charges that said defendant "made and produced, and distributed, vended and sold, an arrangement and adaptation of said musical composition."

(d) An alleged judicial admission by Apollo (binding upon all other defendants as joint tort feasors) in the Answer to the Amended Complaint, through failure to deny ¶¶ 15-16, 34-35, 51-52, 70-71, 88-89, 106-107, 125-126, 143-144, 160-161, 179-180, which charges that said defendant "made and produced, or contributed to or participated or [was] concerned in, the making and production of, a new and original arrangement and adaptation of said musical composition * * *."

It will be noted in connection with items (c) and (d) above that defendants Apollo, George Albert and Carl Le Bow in ¶ 3(c)(7) of the Pretrial Order stated: "upon the trial hereof, defendants, Apollo, *Et Al.*, will move to amend their answer to affirmatively allege a denial

to making any new or original arrangements of plaintiffs' material, except to the extent that any recording thereof may be considered a new arrangement." On September 25, 1968, at a Pretrial Conference held before this court with attorneys for all parties present, Samuel A. Zimbalist, attorney for defendants Apollo, George Albert and Carl Le Bow made and argued such a motion, which was granted by this court. (Hearing, September 25, 1968, pp. 15-24)

The defendants' final Amended Answer to the Amended Complaint sufficiently explains these failures to deny various allegations of the Original and Amended Complaints. (See Pl. Exs. 1 and 2, the Amended Complaint and Answer thereto, and hearing, September 25, 1968, pp. 15-24) Defendants deny making any new or original arrangements of plaintiffs' material, *except to the extent that any recording thereof may be considered a new arrangement.* (Hearing, September 25, 1968, p. 16)

The precise questions at issue in this claim were decided in the case of *Edward B. Marks Music Corporation v. Foullon*, 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 905 (2nd Cir. 1949). In a closely reasoned opinion which examined the distinctions between 17 U.S.C. § 101(b) and 17 U.S.C. §§ 1(e) and 101(e), Judge Goddard held that the separate and distinct right to make an arrangement and version of a musical composition is limited to printing, reprinting, publishing, copying, or vending, and does not cover the right to mechanical reproduction. Observing that an intellectual conception is not protected apart from the manner of its use, Judge Goddard noted that

> "To hold that the separate and distinct right to make a version and arrangement also existed in connection with the right to mechanical reproduction, would be to rewrite the section so as to add

> to subsection (a) [17 U.S.C. § 1] the right to mechanical reproduction. This the Congress has steadfastly refused to do on the ground that to grant to the copyright owner the right to control the arrangement and version of the mechanical reproduction would be to create an opportunity for the birth of mechanical trusts. * * *" 79 F. Supp. at 666.

Particularly applicable to the present facts are the following trenchant observations:

> "It is also to be noted that the requirement that a 'compulsory licensee' be limited in its use in mechanical reproduction to the use originally made or granted by the plaintiff in the initial mechanical reproduction, has been liberally construed. This requirement has been said to mean that the reproduction need not be identical, but that *some latitude must be allowed to each manufacturer to prepare an individual instrumental or vocal arrangement of the composition.* Shafter, Musical Copyright (1932), p. 230; Third Copyright Law Symposium, 1940, pp. 123-124." *Id.* at 667. (Emphasis supplied.)

In the instant case, there has been no shred of proof demonstrating that these so-called "arrangements" were anything more than individual artistic interpretations of the "standard arrangement," whatever they may be. It is clear, however, that plaintiffs have duly licensed the production of records with Latin dance arrangements such as Cha Cha, Mambo, Pachanga, and/or Merengue under 17 U.S.C. § 101(e), without claim of an infringement of 17 U.S.C. § 101(b). (Finding of Fact 13) Further-

more, as Judge Goddard observed:

> "There is no evidence showing either the mechanical reproduction initially made by the plaintiff or by its licensee, nor in what way the defendants' version and arrangement differed from it. For that reason alone the claim is not sustained." *Edward B. Marks Music Corporation v. Foullon,* 79 F. Supp. at 666-667.

In the present case, plaintiffs have produced no evidence showing the nature of the mechanical reproduction originally made, no evidence demonstrating the nature of the original printed arrangement, and no evidence demonstrating the differences between the so-called "arrangements" of defendants and the "standard" mechanical reproduction or printed arrangement.

Accordingly, the plaintiffs have not sustained their burden of proof on this claim. Even if they had adduced sufficient evidence to demonstrate the existence of a new arrangement contained upon Plaintiffs' Exhibit 13, their proper remedy would lie under 17 U.S.C. § 101(e), and not under 17 U.S.C. § 101(b).

II.

THE ADMITTED VIOLATION OF 17 U.S.C. § 101(e) BY THE UNLICENSED PRODUCTION AND SALE OF MECHANICAL REPRODUCTIONS OF PLAINTIFFS' COPYRIGHTED MUSICIAN COMPOSITIONS.

A. ROYALTIES:

Defendant Apollo admits the manufacture of phonograph records, serving to reproduce mechanically various interpretations of plaintiffs' compositions, without any

license or authorization therefor, and without service of a notice of intention to use said musical compositions, thereby infringing plaintiffs' respective copyrights in these musical opera. (See Findings of Fact 4 and 5; 17 U.S.C. §§ 1[e] and 101[e]; *Reeve Music Co. v. Crest Records, Inc.*, 285 F. 2d 546 [2nd Cir. 1960]; *Shapiro, Bernstein & Co. v. Remington Records, Inc.*, 265 F. 2d 263 [2nd Cir. 1959].)

17 U.S.C. § 1(e) provides in pertinent part as follows:

> "* * * as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof. * * *
>
> "In case of failure of such manufacturer to pay to the copyright proprietor within thirty days after demand in writing the full sum of royalties due at said rate at the date of such demand, the court may award taxable costs to the plaintiff and a reasonable counsel fee, and the court may, in its discretion, enter judgment therein for any sum in addition over the amount found to be due as royalty in accordance with the terms of this title, not exceeding three times such amount. * * *"

17 U.S.C. § 101(e) provides in pertinent part as follows:

> "* * * whenever any person, in the absence of a license agreement, intends to use a copyrighted

> musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do the court may, in its discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages, and not as a penalty, and also a temporary injunction until the full award is paid."

Apollo is the admitted "manufacturer" of Plaintiffs' Exhibit 13; it conceived, planned, executed, promoted and sold the offending recordings. In the process of creating Plaintiffs' Exhibit 13, Apollo engaged the services of Mastertone to record, mix, edit, and master the recording, and of Silver Park to press long-playing records discs and ship such records to designated distributors. It appears from Defendants' Exhibit F, which this court has no reason to mistrust (cf. *Shapiro, Bernstein & Co. v. Remington Records, Inc.*, 265 F. 2d 263 [2nd Cir. 1959]), that a total of 3,086 records were pressed by Silver Park and purchased by Apollo, of which 494 were distributed free of charge and a total of 1,684 records were sold. (Finding of Fact 14) Accordingly, based upon the figure of 3,086 records actually manufactured, plaintiffs are entitled to royalties from defendant Apollo pursuant to 17 U.S.C. §1(e), at the rate of $0.02 per infringement for each record manufactured, based upon the extent of their proprietary interest as established by Findings of Fact

3 and 15. The total amount of this award for royalties, exclusive of damages, is $548.29. (Finding of Fact 15)

B. Damages

As the Court of Appeals for the Second Circuit has observed, "it is vital for the copyright proprietor to have prompt notice." *Shapiro, Bernstein & Co. v. Remington Records, Inc.*, 265 F. 2d 263 (1959). Since the notice provisions are the "keystone" of the mandatory licensing scheme under the Copyright Law, violations should be dealt with strictly. *Norbay Music, Inc. v. King Records, Inc.*, 249 F. Supp. 285, 289 (S.D.N.Y. 1966). And it is no excuse that the defendants relied upon a custom or trade practice of awaiting completion of manufacture and distribution of a recording before filing a notice of intention to use copyrighted material or accounting to plaintiffs pursuant to a request properly directed to defendants some four and one-half months before compliance. (Findings of Fact 16-19) See *Famous Music Corporation v. Seeco Records, Inc.*, 201 F. Supp. 560 (S.D.N.Y. 1961), and cases cited therein at page 566; *Southern Music Publishing Co., Inc. v. Seeco Records, Inc.*, 200 F. Supp. 704 (S.D.N.Y. 1960).

In mitigation of this violation, however, it must be noted that Apollo has always admitted its liability under § 101(e), has continuously attempted to account to plaintiffs for liability under § 101(e) since June 1962, has in no way attempted to camouflage its identity as the manufacturer of the album, has never attempted to frustrate the assessment of damages by concealment of records, and has openly relied upon an industry-wide practice which, while no excuse to liability, still affords some measure of explanation for conduct. Accordingly, in the exercise of my discretion to award a further sum not to exceed three

times the $548.29 due as royalties, I set the damages at $548.29, thus assessing a royalty of $1,096.58 total. (See Finding of Fact 20)

C. ATTORNEYS' FEES

Like treble damages, counsel fees may be awarded in the discretion of the court where warranted by the circumstances of the case. 17 U.S.C. § 116. According to the Second Circuit, the "• • • provision for attorneys' fees • • • has been sparingly used and the amounts awarded modest." *Orgel v. Clark Boardman Co.*, 301 F. 2d 119, 122 (2nd Cir.), cert. denied 371 U. S. 817 (1962). As Judge Bryan of this court has noted, "[p]erhaps one reason for this restrictive interpretation is that the counsel fees provision was designed 'to penalize the losing party as [well as] to compensate the prevailing party.'" (citations omitted). *Norbay Music, Inc. v. King Records, Inc.*, 249 F. Supp. 285, 289 (S.D.N.Y. 1966). As Judge Bryan also noted in his carefully considered opinion, the cases reveal that a fee allowance is rarely made where there are unsettled issues of law and fact. The case at bar certainly does not disclose a "highly technical argument" on the part of the defendant, *Mailer v. RKO Teleradio Pictures, Inc.*, 332 F. 2d 747, 749-750 (2nd Cir. 1964), nor a "lack of substance" to its contention, *Boucher v. Du Boyes, Inc.*, 253 F. 2d 948, 950 (2nd Cir. 1958) (*per curiam*), factors which in the past have influenced the Second Circuit to authorize an award of counsel fees.

In short, in the case at bar, as in *Norbay Music, Inc. v. King Records, Inc., supra*, by no stretch of the imagination was defendants' claim "so lacking in merit as to present no arguable question of law," nor was it designed to annoy, "vex or harass" the plaintiffs. *Cloth v. Hyman*, 146 F. Supp. 185, 193 (S.D.N.Y. 1956). Indeed, it appears from the record that the plaintiffs themselves proceeded

capriciously and in bad faith by refusing to accept royalties tendered while insisting upon expanded damages under 17 U.S.C. § 101(b). Accordingly, in the exercise of discretion, I shall deny counsel fees in this case.

III.

Alleged Liability of Mastertone, Gene Sayet and Sidney Feldman

In *G. Ricordi & Co. v. Columbia Graphophone Co.*, 270 Fed. 822 (S.D.N.Y. 1920), the District Court affirmed a determination by a Special Master that the various steps taken to produce a record stamper were all essential to the manufacturer and that the party who made all the arrangements was deemed to be the manufacturer. In *Edward B. Marks Music Corporation* v. *Foullon*, 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 905 (2nd Cir. 1949), the District Court dismissed the complaint of a musical copyright owner against the record pressing company on the grounds that such a subcontractor was not a "manufacturer" within the meaning of 17 U.S.C. § 1(e). In *Reeve Music Co. v. Crest Records, Inc.*, 285 F. 2d 546 (2nd Cir. 1960), the Second Circuit Court of Appeals held that, under 17 U.S.C. § 101(e), the "manufacture" of records in violation of this statute, is an active infringement, that infringement of a copyright is a tort, and that all persons concerned therein are jointly and severally liable as joint tort-feasors. The court determined, upon the particular facts in the case, that where defendants were affiliated corporations, conducting their operations at the same address, and one of the defendants produced a "master stamper" which the other defendant used to "press" a number of records, whether or not the separate act performed by each defendant constituted "manufac-

ture," the two defendants, acting in concert, "manufactured" the offending recording within the meaning of 17 U.S.C. § 101(e).

In the present case as in *Edward E. Marks Music Corporation v. Foullon, supra,* the general manufacturer, in this case Apollo, hired the artists, recording studio and pressing plant. Apollo did not act "jointly" or in "concert" with Mastertone, nor did it conduct a business at a joint address with Mastertone. Apollo was the general manufacturer and general contractor in fact as well as name. Accordingly, on the authority of *G. Ricordi & Co. v. Columbia Graphophone Co., supra,* and *Edward B. Marks Music Corporation v. Foullon, supra,* the Complaint and Amended Complaint must be dismissed on the merits as to defendant Mastertone. It, therefore, follows that the Complaints and Amended Complaints against Gene Sayet and Sidney Feldman, who acted merely as employees of Mastertone and who held no other position in the manufacturing process, must be dismissed on the merits.

IV.

Alleged liability of George Albert and Carl Le Bow as joint tort-feasors with Apollo.

While it is undeniably true that all persons concerned in the infringement of a copyright are jointly and severally liable as joint tort-feasors, *Gross v. Van Dyk Gravure Co.,* 230 Fed. 412 (2nd Cir. 1916), the controlling cases in this circuit on the issue of liability of the officers and employees of a corporate "manufacturer" who violates 17 U.S.C. § 1(e) and 101(e) are the District Court and Court of Appeals decisions in *Edward B. Marks Music Corporation v. Foullon,* 79 F. Supp. 664 (S.D.N.Y. 1948), aff'd 171 F. 2d 950 (2nd Cir. 1949). In the opinion of

the District Court, the status of Foullon as president of United Masters, Inc., the general manufacturer, was conceded. It appears that Foullon engaged artists, hired a recording studio, hired an electroplating plant, hired a pressing plans, and supervised the sales of all records so produced. In other words, Foullon was a combination of George Albert and Carl Le Bow. The District Court held as follows:

> "Although plaintiff cites cases where individuals were held liable for what appeared to be the acts of corporate bodies, these cases all concern individual liability where there has been infringement by a corporate body. The case at bar is void of any element of infringement.
>
> "The record shows that Foullon served as an officer of United Masters, Inc., but all the actions in the manufacturing of the records were done as corporate acts. The Copyright Act makes the manufacturer liable; it does not refer to the officers, agents or employees." *Id.* at 667.

The District Court thereupon dismissed the Complaint and the Amended Complaint against Foullon on the merits. This determination was approved by the Second Circuit Court of Appeals.

In *Foullon,* the District Court obviously used loose language in referring to "any element of infringement." However, from a careful reading of the entire opinion, it is clear that the court was referring to "infringement" under 17 U.S.C. § 101(b) rather than § 101(e), or § 1(e). Thus, the District Court held that the precedents binding individuals for corporate acts which involve violation of § 101(b) and related statutes do not similarly apply to violations of § 1(e) or § 101(e), thereby justifying a determination that United Masters was liable for royalties

and damages under §§ 1(e) and 25 (the predecessor of 17 U.S.C. §§ 101[b] and [e]). The Court of Appeals considered and affirmed the holdings of the District Court, thereby foreclosing further argument of the matter.

Accordingly, the Complaints and Amended Complaints against George Albert and Carl Le Bow must be dismissed on the merits.

Conclusions of Law

1. This court has jurisdiction over the parties and the issues pursuant to Title 17 United States Code and Title 28 U.S.C. § 1338.

2. All causes of action against George Albert and Carl Le Bow, an officer and employee respectively of defendant Apollo, must be dismissed on the merits.

3. All causes of action against Mastertone, Gene Sayet and Sidney Feldman must be dismissed on the merits.

4. All causes of action against Apollo predicated upon 17 U.S.C. § 101(b) must be dismissed on the merits.

5. Plaintiffs are entitled to the sum of $1,096.58, representing payment in full for all royalties due and owing from Apollo under 17 U.S.C. § 1(e), together with a discretionary increment constituting damages under 17 U.S.C. § 101(e).

6. The plaintiffs are entitled to costs against defendant Apollo, but they are not entitled to any counsel fees.

Settle judgment on notice pursuant hereto.

Dated: New York, N. Y.
March 27, 1969.

Richard H. Levet
United States District Judge

Final Judgment.

This cause having come on for trial, without a jury, and having been tried on November 12, 1968, and counsel for the respective parties having been heard, and the issues having been duly tried, and the action having been discontinued against defendant Albert Rashid without costs to either party, and the court having rendered its opinion and having made its findings of fact and conclusions of law, it is hereby

ORDERED, ADJUDGED AND DECREED, that plaintiffs recover of defendant Apollo Records N. Y. Corp., the sum of $548.29, comprehending payment in full for all royalties due and owing from said defendant under 17 U.S.C. Section 1(e), a further sum by way of damages under 17 U.S.C. Section 101(e), in the sum of $548.29, making a total of $1,096.58, allocated as follows:

1. That plaintiff Leo Feist Inc. recover royalties in the total sum of $144.02 and the further sum of $144.02 by way of damages, amounting in total to $288.04;

2. that plaintiff Mills Music, Inc. recover royalties in the total sum of $234.54 and the further sum of $234.54 by way of damages, amounting in total to $469.08;

3. that plaintiff Shapiro, Bernstein & Co., Inc., recover royalties in the total sum of $46.29 and the further sum of $46.29 by way of damages, amounting in total to $92.58;

4. that plaintiff De Sylva, Brown & Henderson, Inc., recover royalties in the total sum of $61.72 and the further sum of $61.72 by way of damages, amounting in total to $123.44;

5. that plaintiff Peer International Corporation recover royalties in the total sum of $61.72 and the further sum of $61.72 by way of damages, amounting in total to $123.44; and it is further

Final Judgment

ORDERED, ADJUDGED AND DECREED that the causes of action set forth in the amended complaint herein against Apollo Records N. Y. Corp. predicated upon 17 U.S.C. Section 101(b) be and hereby are dismissed upon the merits, and it is further

ORDERED, ADJUDGED AND DECREED that the causes of action set forth in the amended complaint herein against defendant Mastertone Recording Studios, Inc., Gene Sayet, Sidney Feldman, George Albert and Carl Le Bow, respectively, be and the same hereby are dismissed upon the merits; and it is further

ORDERED, ADJUDGED AND DECREED that plaintiffs recover of defendant Apollo Records N. Y. Corp., the sum of $60, which constitutes its costs as taxed, amounting in all to the total sum of $1156.58, and that plaintiffs have execution therefor.

Dated: New York, N. Y.
April 10, 1969

RICHARD H. LEVET
U. S. D. J.

Judgment Entered April 11, 1969
JOHN LIVINGSTON, Clerk

APPENDIX II

Opinion of the United States Court of Appeals for the Second Circuit Affirming the Judgment of the United States District Court.

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 223—September Term, 1969.

(Argued December 1, 1969
Decided December 31, 1969.)

Docket No. 33724

LEO FEIST, INC., MILLS MUSIC, INC., SHAPIRO, BERNSTEIN & CO., INC., DE SYLVA, BROWN & HENDERSON, INC., and PEER INTERNATIONAL CORPORATION,

Plaintiffs-Appellants,

v.

APOLLO RECORDS N. Y. CORP., MASTERTONE RECORDING STUDIOS, INC., GENE SAYET, SIDNEY FELDMAN, GEORGE ALBERT and CARL LE BOW,

Defendants-Appellees.

Before:

WATERMAN, HAYS and FEINBERG,

Circuit Judges.

The several plaintiffs appeal from the judgment entered in the United States District Court for the Southern

Opinion of the United States Court of Appeals for the Second Circuit Affirming the Judgment of the United States District Court

District of New York, Levet, J., claiming on appeal that the dismissal of their action upon its merits against all defendants except Apollo Records N. Y. Corp. should be reversed; that the judgment dismissing their action against Apollo Records N. Y. Corp. based upon 17 U.S.C. § 101(b) should be reversed; and that the recoveries otherwise awarded against Apollo Records are inadequate. The opinion below is reported at 300 F. Supp. 32. Affirmed.

APPENDIX III

Judgment of Affirmance.

Per Curiam:

We affirm the judgment below and each of the several awards to the several plaintiffs-appellants contained therein upon the considered opinion, findings of fact, and conclusions of law filed by Judge Levet, reported at 300 F. Supp. 32 (SDNY 1969).

December 31, 1969.

APPENDIX IV

Pertinent Sections of the Act of March 4, 1909, c. 320, 35 Stat. 1075 et seq., U.S.C. Title 17, and the Amendments Thereto, as Codified and Enacted Into Positive Law by the Act of July 30, 1947, c. 391, 61 Stat. 652, and the Amendments Thereto, and the Act of June 25, 1948, c. 646, 62 Stat. 931, U.S.C. Title 28, Sec. 1338.

§ 1. EXCLUSIVE RIGHTS AS TO COPYRIGHTED WORKS.—Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

(b) To translate the copyrighted work into other languages or dialects, or make any other version thereof, if it be a literary work; to dramatize it if it be a nondramatic work; to convert it into a novel or other nondramatic work if it be a drama; to arrange or adapt it if it be a musical work; to complete, execute, and finish it if it be a model or design for a work of art.

(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: *Provided,* That the provisions of this title, so far as they secure copyright controlling the parts of instruments serving to reproduce mechanically the musical work, shall include only compositions published and copyrighted after July 1, 1909, and shall not include the works of a foreign author or composer unless the foreign state or nation of which such author or composer is a citizen or subject grants, either by treaty, convention, agreement, or law, to citizens of the United States similar rights. And

as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

§ 7. Copyright on Compilations of Works in Public Domain or of Copyrighted Works; Subsisting Copyrights Not Affected.—Compilations or abridgments, adaptations, arrangements, dramatizations, translations, or other versions of works in the public domain or of copyrighted works when produced with the consent of the proprietor of the copyright in such works, or works republished with new matter, shall be regarded as new works subject to copyright

under the provisions of this title; but the publication of any such new works shall not affect the force or validity of any subsisting copyright upon the matter employed or any part thereof, or be construed to imply an exclusive right to such use of the original works, or to secure or extend copyright in such original works.

§ 101. INFRINGEMENT.—If any person shall infringe the copyright in any work protected under the copyright laws of the United States such person shall be liable:

(b) DAMAGES AND PROFITS; AMOUNT; OTHER REMEDIES.—To pay to the copyright proprietor such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such infringement, and in proving profits the plaintiff shall be required to prove sales only, and the defendant shall be required to prove every element of cost which he claims, or in lieu of actual damages and profits, such damages as to the court shall appear to be just, and in assessing such damages the court may, in its discretion, allow the amounts as hereinafter stated, but in case of a newspaper reproduction of a copyrighted photograph, such damages shall not exceed the sum of $200 nor be less than the sum of $50, and in the case of the infringement of an undramatized or nondramatic work by means of motion pictures, where the infringer shall show that he was not aware that he was infringing, and that such infringement could not have been reasonably foreseen, such damages shall not exceed the sum of $100; and in the case of an infringement of a copyrighted dramatic or dramatico-musical work by a maker of motion pictures and his agencies for distribution thereof to exhibitors, where such infringer shows that he was not aware that he was infringing a copyrighted work, and that such infringements could not reasonably have been foreseen, the entire sum of such damages recoverable by

the copyright proprietor from such infringing maker and his agencies for the distribution to exhibitors of such infringing motion picture shall not exceed the sum of $5,000 nor be less than $250, and such damages shall in no other case exceed the sum of $5,000 nor be less than the sum of $250, and shall not be regarded as a penalty. But the foregoing exceptions shall not deprive the copyright proprietor of any other remedy given him under this law, nor shall the limitation as to the amount of recovery apply to infringements occurring after the actual notice to a defendant, either by service of process in a suit or other written notice served upon him.

First. In the case of a painting, statue, or sculpture, $10 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

Second. In the case of any work enumerated in section 5 of this title, except a painting, statue, or sculpture, $1 for every infringing copy made or sold by or found in the possession of the infringer or his agents or employees;

Third. In the case of a lecture, sermon, or address, $50 for every infringing delivery;

Fourth. In the case of a dramatic or dramatico-musical or a choral or orchestral composition, $100 for the first and $50 for every subsequent infringing performance; in the case of other musical compositions $10 for every infringing performance;

(e) Royalties for Use of Mechanical Reproduction of Musical Works.—Whenever the owner of a musical copyright has used or permitted the use of the copyrighted work upon the parts of musical instruments serving to reproduce mechanically the musical work, then in case of infringement of such copyright by the unauthorized manufacture, use, or sale of interchangeable parts, such as disks, rolls, bands, or cylinders for use in mechanical music-producing machines adapted to reproduce the copyrighted music, no

criminal action shall be brought, but in a civil action an injunction may be granted upon such terms as the court may impose, and the plaintiff shall be entitled to recover in lieu of profits and damages a royalty as provided in section 1, subsection (e), of this title: *Provided also,* That whenever any person, in the absence of a license agreement, intends to use a copyrighted musical composition upon the parts of instruments serving to reproduce mechanically the musical work, relying upon the compulsory license provision of this title, he shall serve notice of such intention, by registered mail, upon the copyright proprietor at his last address disclosed by the records of the copyright office, sending to the copyright office a duplicate of such notice; and in case of his failure so to do the court may, in its discretion, in addition to sums hereinabove mentioned, award the complainant a further sum, not to exceed three times the amount provided by section 1, subsection (e), of this title, by way of damages, and not as a penalty, and also a temporary injunction until the full award is paid.

APPENDIX V

Opinion and Order Denying Motion of Defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman for Dismissal of Amended Complaint.

"Defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman have moved to dismiss the complaint against them for failure of the plaintiff to constitute a cause of action. The motion is denied.

"The above-named defendants are, respectively, the corporate recording studio and two recording engineers who admittedly recorded the musical performances eventually memorialized in "The Swinging 20's Go Latin," a phonograph record produced and sold by Apollo Records. These defendants assert (1) that they had no proximate connection with the manufacture, sale or distribution by Apollo Records of the offending recording; (2) that they had neither actual nor constructive knowledge of the infringing nature of the recording; and (3) that no reasonable avenues of inquiry were open to the defendants to ascertain the infringing nature of the recording due to the practices and exigencies of the recording business.

"The disposition of this motion therefore depends upon the plaintiffs' having adduced sufficient proof to constitute a cause of action that these individual defendants were participants in the "manufacture" of the offending recording within the meaning of the Copyright Act, §§ 1(e) and 101, and Title 28 USCA § 1338. The case of G. Ricordi & Co., Inc. v. Columbia Graphophone Co., 270 Fed. 822 (S.D.N.Y. 1920), reviewed the nine distinct, separate and progressive steps involved in the manufacture of a commercial phonograph record in 1920. While the procedures catalogued have changed, the legal significance has not:

'• • • In orther words, the 'manufacture', as I see it, commenced when the song was sung by the artists and recorded

upon the wax master record, and every step taken thereafter, up to and including the one described in paragraph '8', was taken within the territorial limits of the United Stats." (p. 824).

And in the case of Reeve Music Co., Inc. v. Crest Records, Inc., 285 F. 2d 546, 547-548 (2nd Cir. 1960), Judge Swan observed:

> 'The defendants are affiliated corporations to whom we shall refer respectively as Crest and Shelley. They conducted their operations at the same address in Huntington Station, N. Y. Crest produced the 'master stamper' which Shelley used to 'press' a number of records which included the plaintiff's songs. • • •
>
> '. . . Ricordi lists nine steps in the making of a phonograph record. It was found that the defendant took the first eight of these nine steps and the court ruled that such a defendant, who takes steps 'essential' to manufacture, is a manufacturer 'within the intent and meaning of the copyright statute.' This is not a holding, as the defendants seem to believe, that all the first eight steps must be taken to constitute a defendant a manufacturer.
>
> 'Under § 101(e), on the other hand, 'manufacture' is an act of infringement, and 'courts have long recognized that infringement of a copyright is a tort, and all persons concerned therein are jointly and severally liable as such joint tort-feasors.' Ted Browne Music Co. v. Fowler, 2 Cir., 290 F. 751, 754. We think it plain that here, whether or not the separate act performed by each defendant constitutes 'manufacture,' the two defendants, acting in concert, 'manufactured' the infringing discs."

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Opinion and Order Denying Motion of Defendants Mastertone Recording Studios, Inc., Gene Sayet and Sidney Feldman for Dismissal of Amended Complaint

"The admitted fact that defendants recorded, mixed, edited and master-taped the musical performance for Apollo Records, coupled with evidence that Mastertone Recording Studios, Inc., by its own invoices, made the recording with express knowledge of the use of the recording by Apollo Records for the "Roaring 20's" album, designed ALP-496 A/B (Ex. 11), is sufficient to require that the defendants' motion for dismissal be denied.
So ordered.

November 15, 1968

RICHARD H. LEVET
United States District Judge"